
TOO GOOD TO BE TRUE

A Column on Consumer Issues
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BE SKEPTICAL ABOUT BUYING CLUBS

Buying clubs are organizations that require you to pay an up-front fee in exchange for the right to purchase goods through the organization. Buying clubs claim to save you money, and, in some cases, do. But many buying clubs are carefully crafted ways to lock you into buying goods at exorbitant prices. Be careful.

New members to buying clubs are usually solicited through mailings, phone calls and increasingly through what is called "upselling" – encouraging a customer who is calling to buy one item to order another product. Oftentimes, consumers are sent packages detailing the buying club program. To some consumers this material looks like junk mail and is thrown away. As a result, people may not know they have enrolled in a club until they find charges on their credit card bills.

To avoid surprise charges, you may wish to follow this advice:

Study the initiation fee. Some have a low membership fee and offer good bargains. Others charge large up-front fees, promise huge savings, but actually deliver overpriced goods. Remember, if you pay a large up-front fee, you must make many discounted purchases before you save any money. For instance, if you paid \$500 to join a buying club and saved 25 percent of all purchases, you'll have to spend \$2,000 before you break even.

Compare prices before you join. Don't trust a club that won't let you see its catalog so you can compare its prices before you join. You might find that after you pay shipping, insurance, and handling charges, you have saved nothing.

Also watch for deceptive reference pricing. A club may claim to save you 25 percent off the "suggested retail price" or "manufacturer's list price," but that doesn't necessarily mean it is a good deal. Most local discount retailers routinely sell for less than the suggested retail or manufacturer's list prices, and you don't have to pay an initiation fee to shop from them. Compare prices with a local retailer. Prices are probably comparable, and service will be available immediately if you have a problem.

Check the club's reputation. If you are considering joining a buying club, contact the Attorney General's Consumer Protection Division or the Better Business Bureau in the state where the buying club is based. Ask if consumers have complained about the

organization in the past and how those complaints were handled. What happens if the club goes out of business? Some clubs have shut down and left their members with little hope of recovering their membership fees. Be aware that North Dakota has no law requiring buying clubs to register and post a bond to protect consumers if such a situation occurs.

Pay attention to the fine print. Does it indicate that you will be enrolled in a club that offers discounts on other products? What are the terms and conditions of joining the club?

Some clubs offer “Free trial” memberships. If you do not call to cancel the offer within a certain number of days, you will automatically be charged for membership.

If ordering anything by phone, be alert. If you are made an offer you are not interested in, make sure you are very clear in refusing it.

Review your credit card and debit card statement carefully. Once someone has your account number, it is possible to charge you or debit your account even if you never agree to purchase their services. If you find unauthorized charges on your statement, dispute them immediately, in a letter to the company that made the charges, and in writing to your credit card company or bank.

Don't fall for high-pressure pitches urging you to sign up now or you'll lose the chance to join. Remember, if you are solicited by a company anywhere other than at its regular place of business (such as at home, or on a college campus), under North Dakota law, you have a three-day right to cancellation, and the company must give this to you orally and in writing.

The Attorney General's Consumer Protection Division investigates allegations of fraud in the marketplace. Investigators also mediate individual complaints against businesses. If you have a consumer problem or question, call the Consumer Protection Division at 328-3404, toll-free at 1-800-472-2600, or 1-800-366-6888 (w/TTY). This article and other consumer information is located on our website at www.ag.state.nd.us.

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